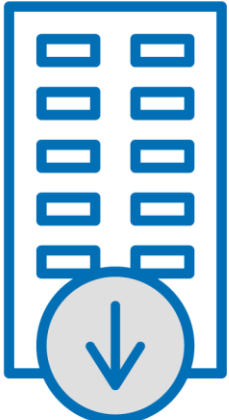
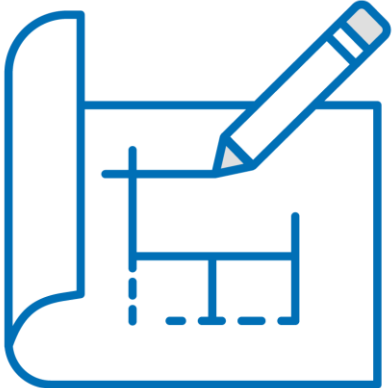
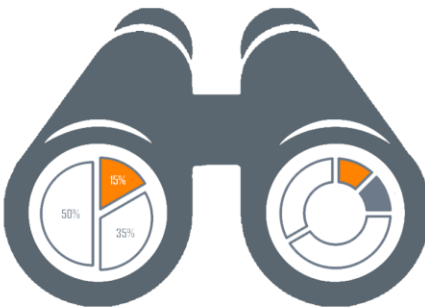


COMMERCIAL REAL ESTATE

U.S. MARKET | Office



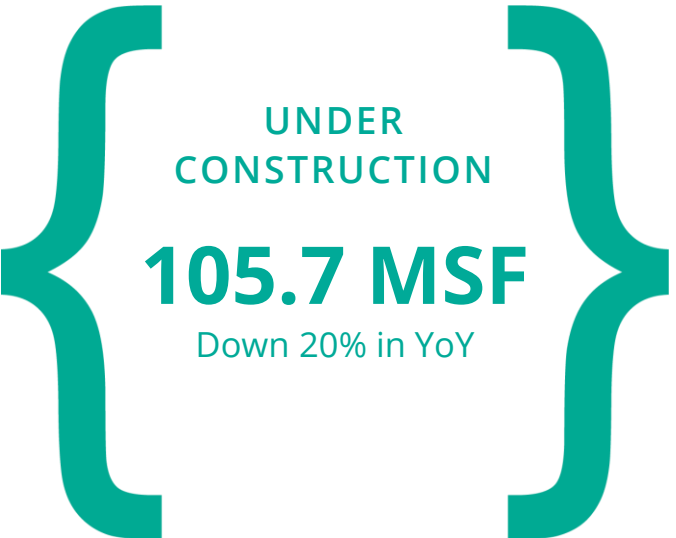
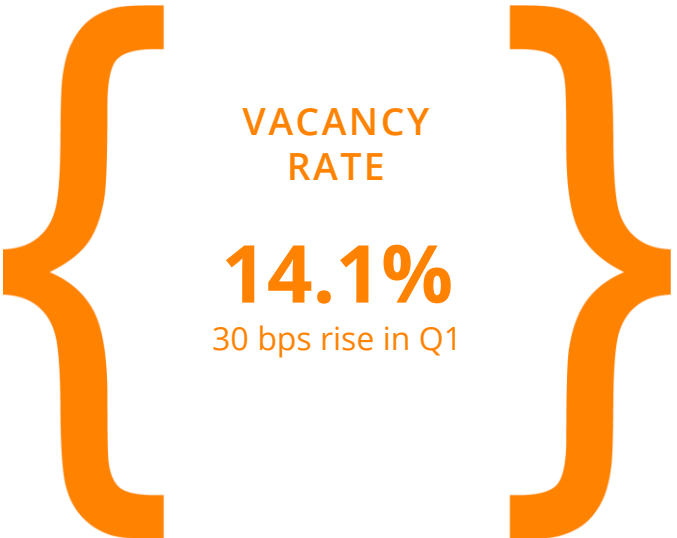
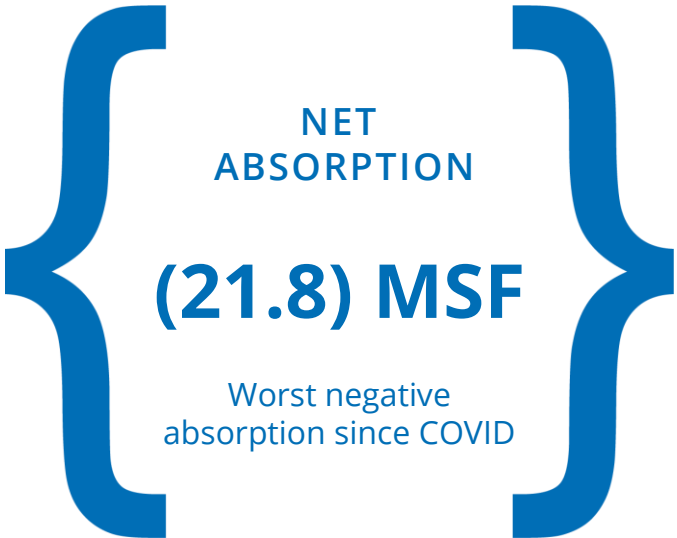
THE VIEW FROM HERE



Over half of leases inked prior to the pandemic have yet to renew, fueling uncertainty about future space demand

Tale of two markets intensifies: Trophy assets outperform while balance of properties continue to lose ground

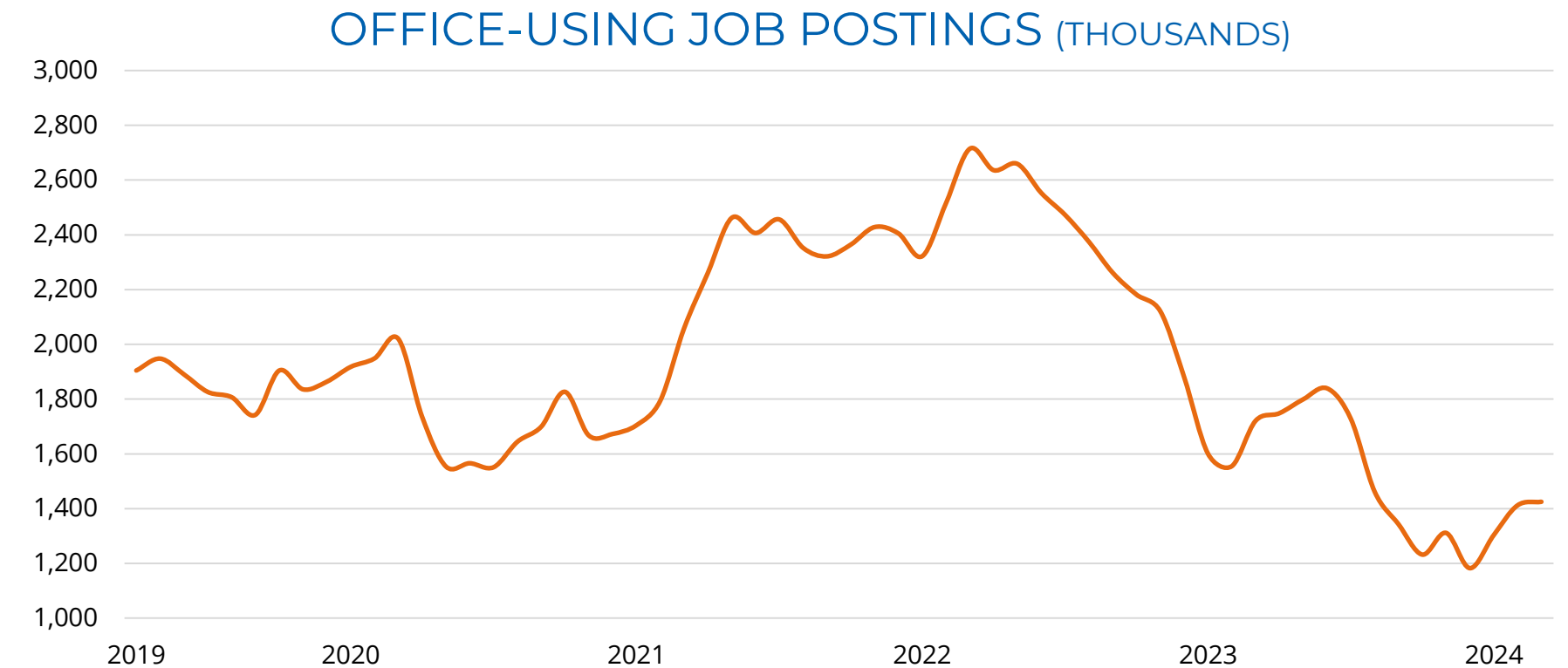
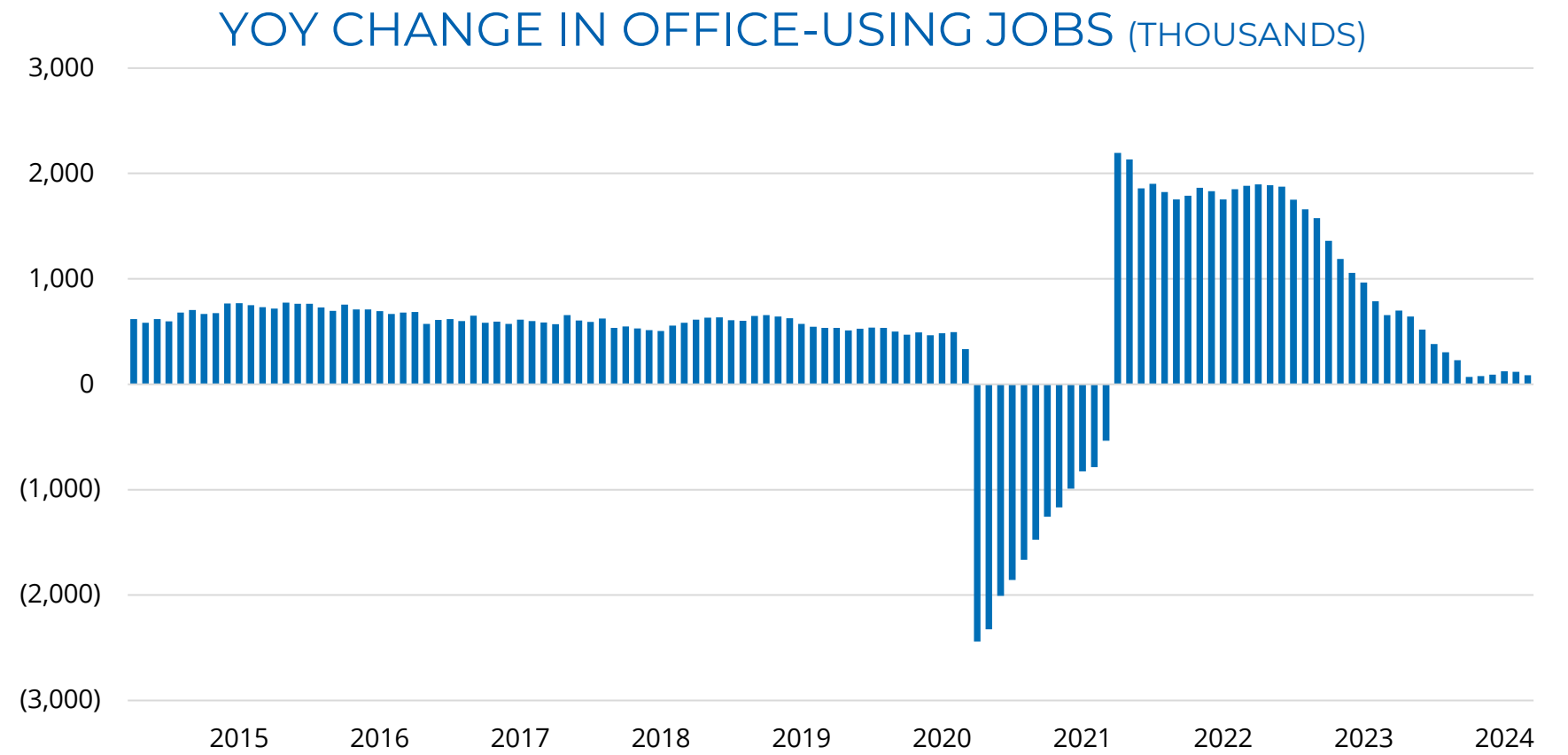
Distressed sales occurring in the hardest hit markets, with trades well below replacement cost



ECONOMIC HIGHLIGHTS

- 86,000 office-using jobs were added to the economy YoY, which is well off the pre-pandemic average of 629,000.
- The labor market is in a period of slow expansion as corporations navigate the pressures of inflation and cost of credit. Despite this, corporate profits are at an all-time high.
- The motion picture/sound recording industry added the most jobs during Q1, followed by architecture/engineering and tech. Offsetting this were cuts in finance/insurance and employment services (temp help) sector.
- Office-using job postings (companies looking to hire) are down 17% YoY. Postings have started to rebound slightly during Q1, rising 11%.
- Boston, Dallas, and Los Angeles experienced the strongest quarterly growth in office-using job postings.
- The economy started 2024 with healthy employment levels and low unemployment. However, with inflation above target, the Fed will likely hold the interest rate for now.
- Elevated consumer spending has kept the economy humming, but high debt levels and borrowing costs could create challenges ahead.
- Higher interest rates will limit investment, and slow hiring and wage growth, which in turn hampers office market recovery.

HISTORICAL

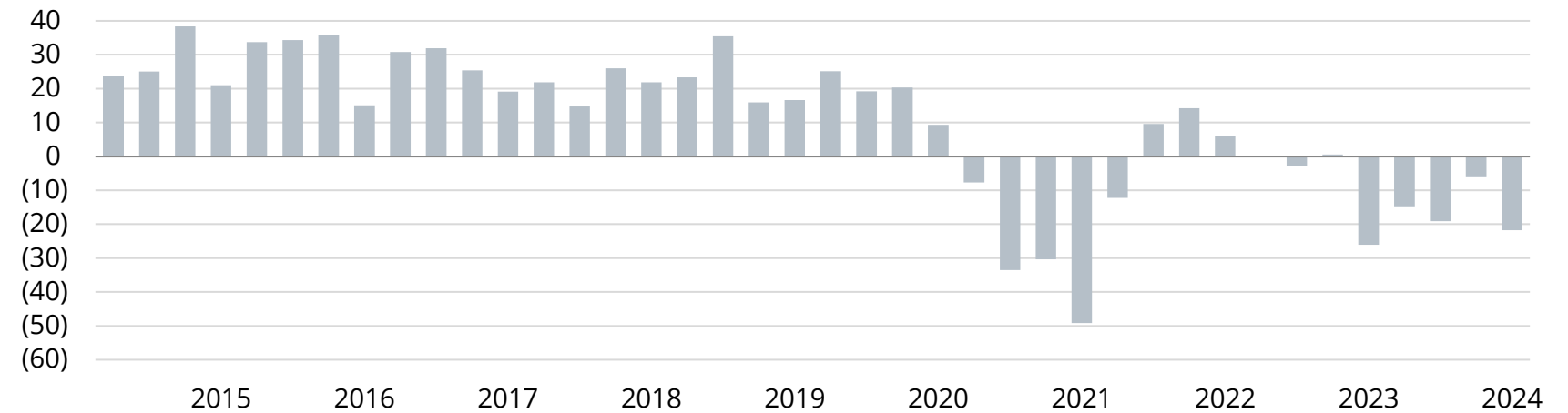


MARKET HIGHLIGHTS

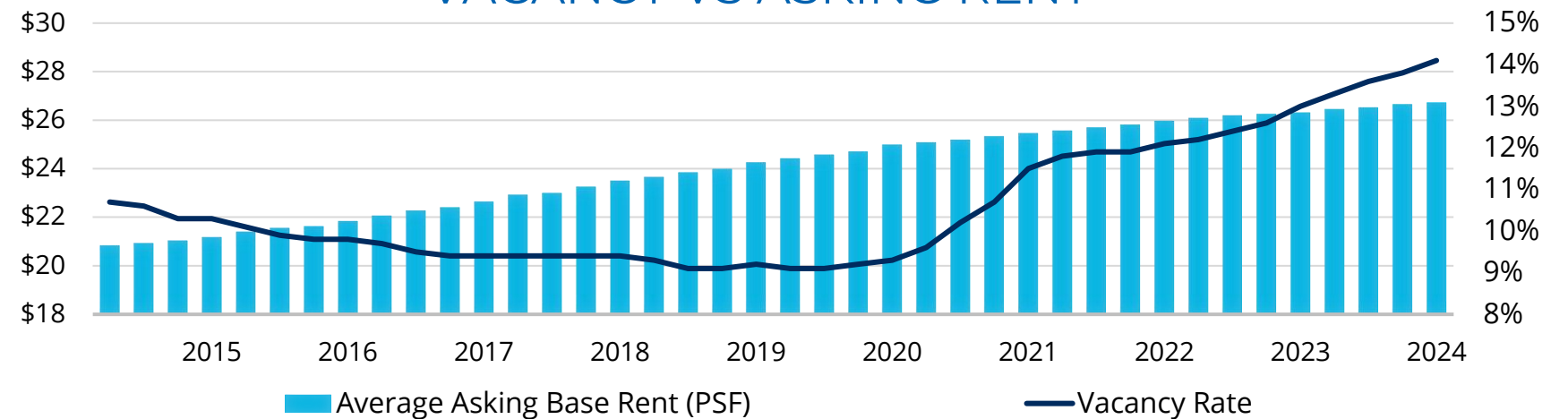
- Net absorption totaled negative 21.8 MSF in Q1, which includes both direct and sublet space. This is the fifth (revised) straight quarter of negative absorption and one of the strongest over the past four quarters.
- 13 of 51 tracked markets registered positive net absorption. Although positive, absorption was very mild and concentrated in 2nd tier markets.
- The overall vacancy rate rose 30 basis points to 14.1% and is up 480 basis points since the start of the pandemic. It will likely take until late 2024 for the vacancy rate to stabilize.
- Asking rents rose 1.6% YoY, a deceleration compared to the average growth rate of 3.2% pre-COVID.
- Despite record levels of vacancy, landlords have held firm on asking rents. Instead, they are luring tenants with generous concession packages, as any deep cuts in the asking rent could lower the appraisal value of their buildings.
- Some flattening or deceleration of concessions could occur in 2024, as those facing upcoming loan maturities or suffering with high vacancy could be limited in how much they can offer.
- Recovery will be long and uneven, as leases roll and tenants right-size on average 20%. Despite this, tenants continue to lease office. According to the VTS Office Demand Index, there was a 19.6% rise YoY in December – the sixth straight month of positive growth. This positive momentum is unlikely to fully right-size the office market but could help boost the overall numbers.

HISTORICAL

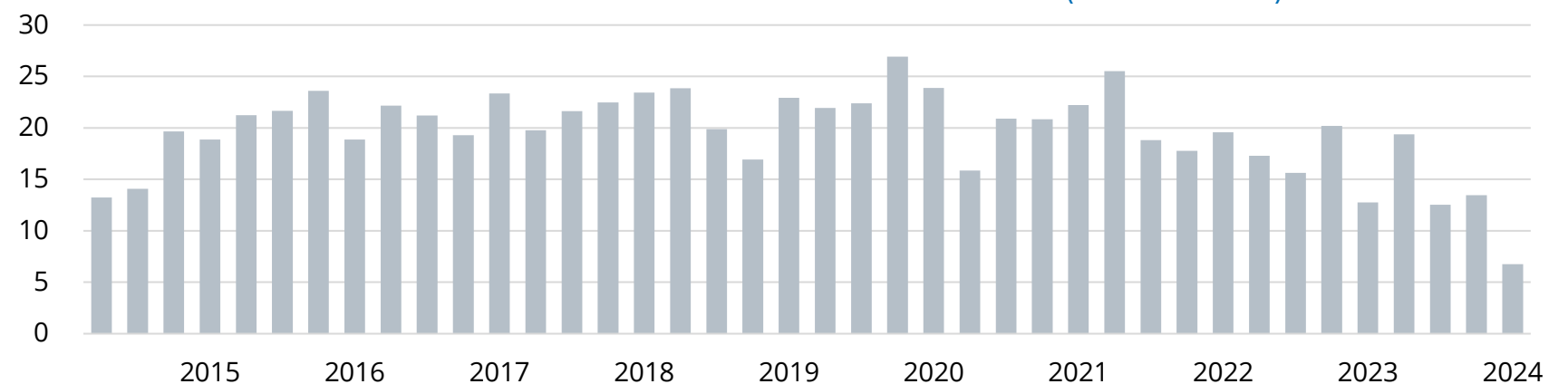
NET ABSORPTION (MILLION SF)



VACANCY VS ASKING RENT

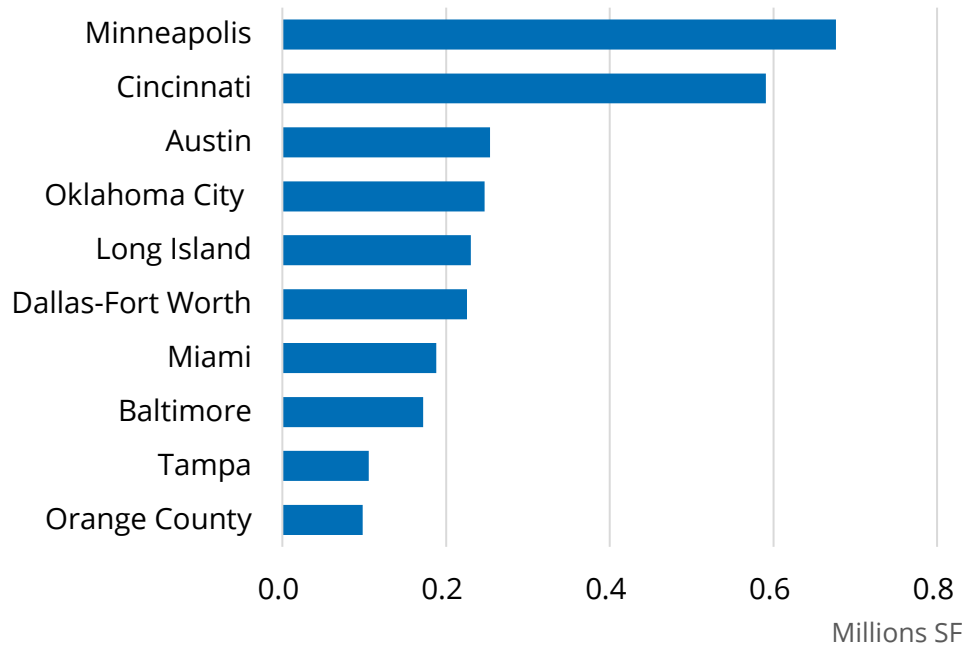


CONSTRUCTION – DELIVERED (MILLION SF)



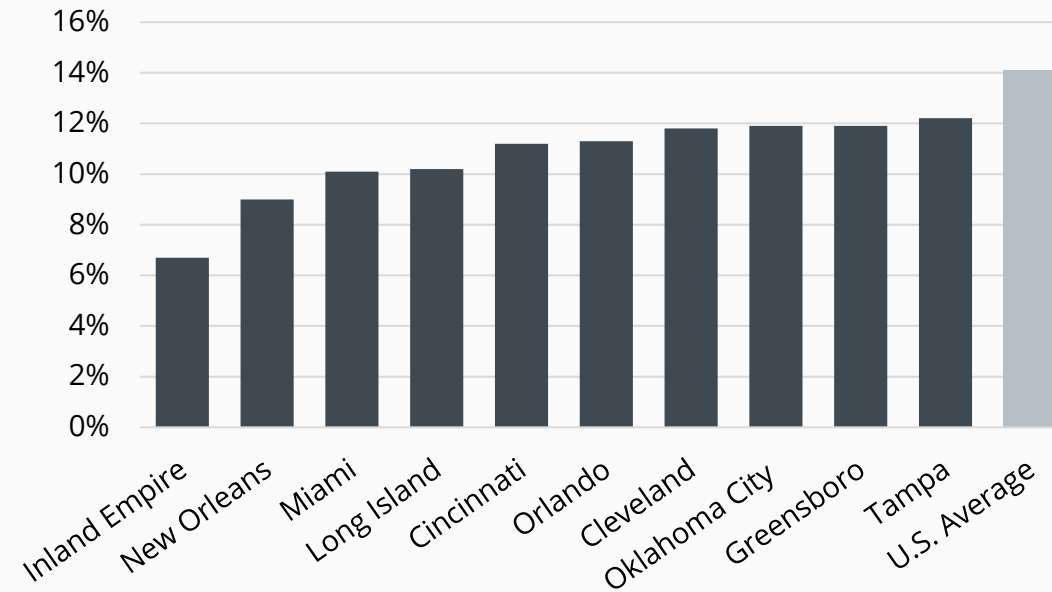
NET ABSORPTION

Q1 2024 Net Absorption



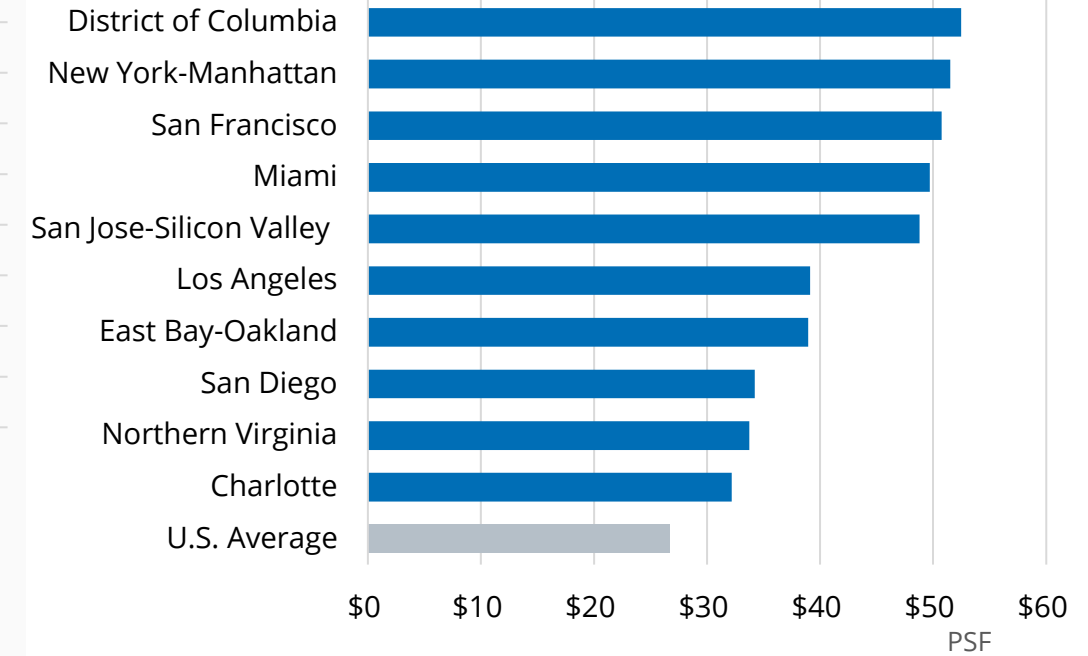
VACANCY/CONSTRUCTION

Q1 2024 Overall Vacancy Rate

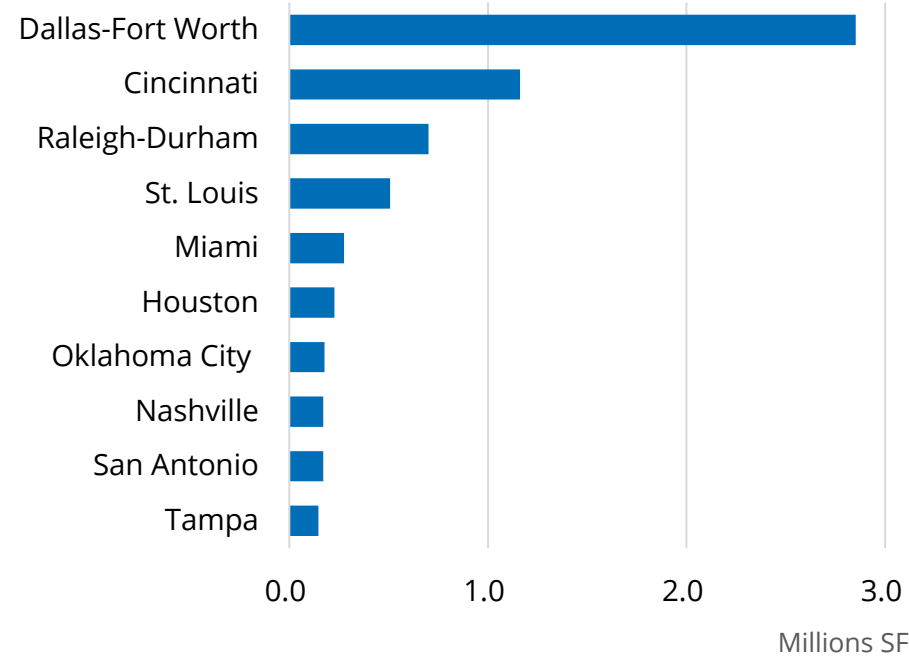


ASKING RENTS

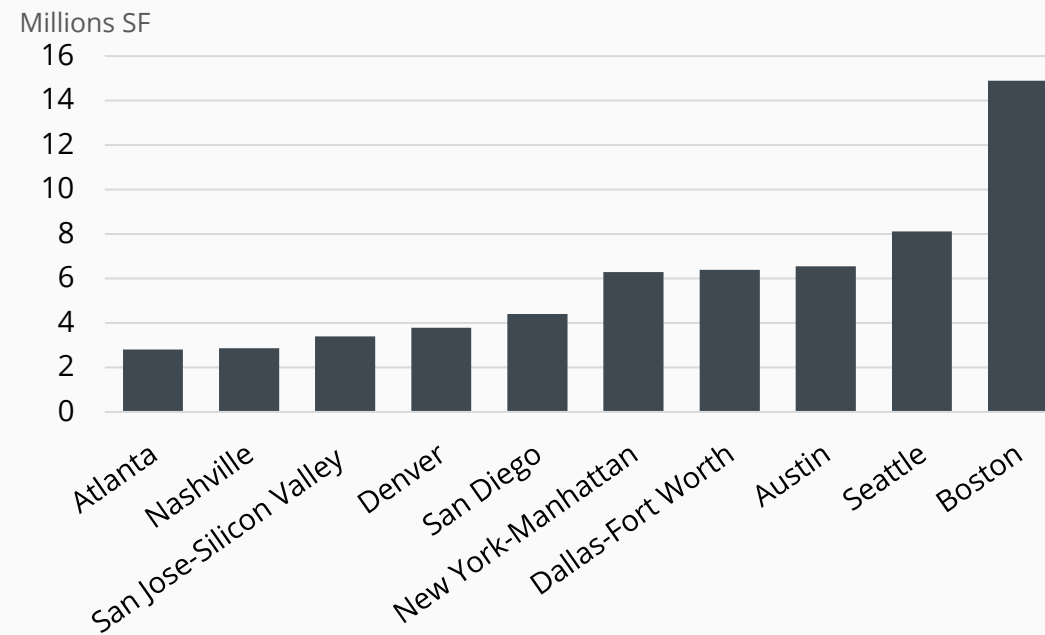
Q1 2024 Asking Rate (Base)



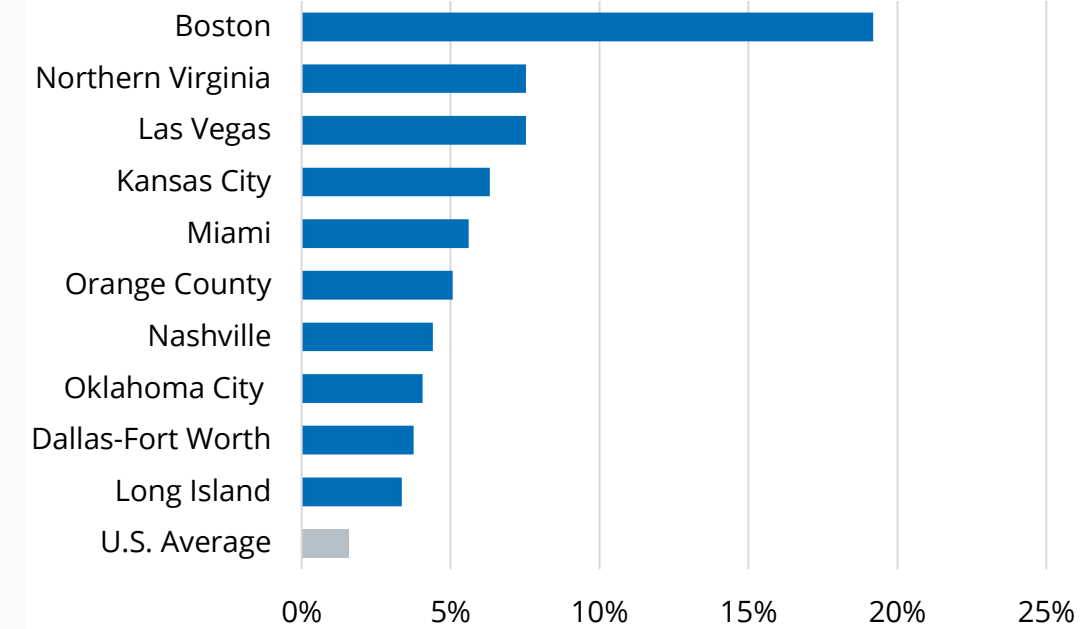
Trailing 4-Qtr Net Absorption



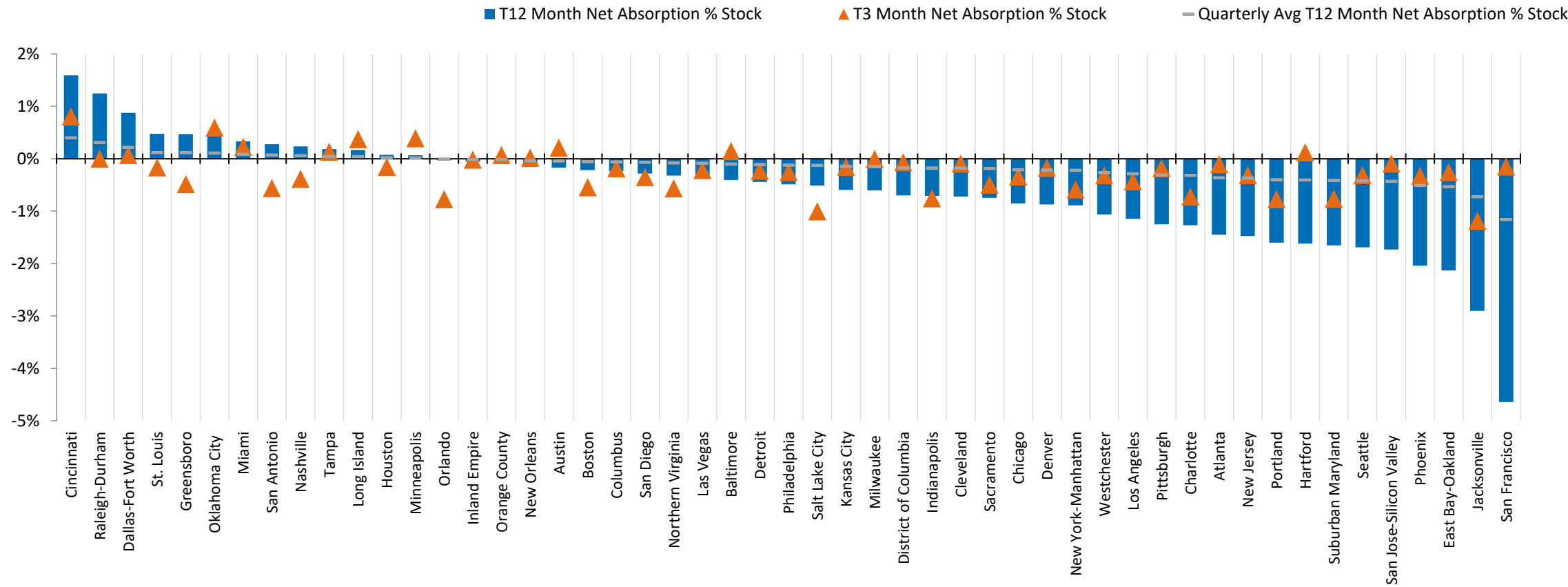
Q1 2024 Under Construction



Year-Over-Year Rent Growth

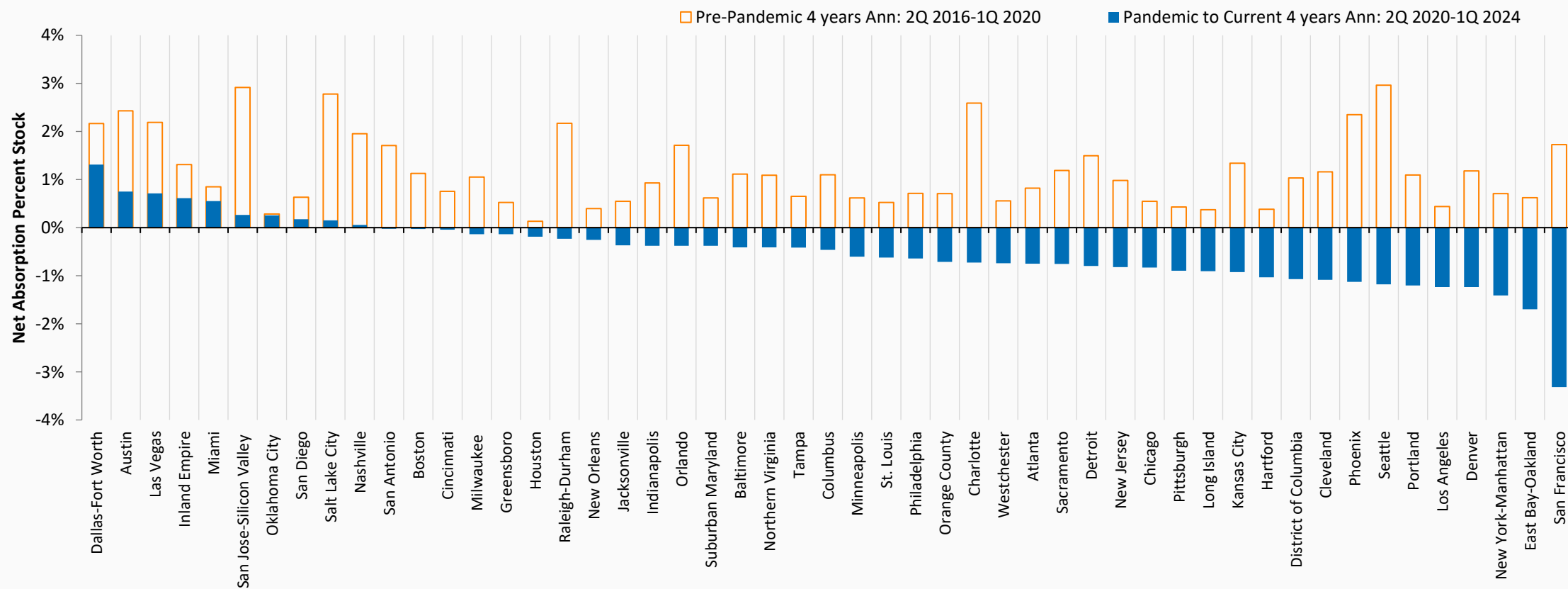


NET ABSORPTION % STOCK



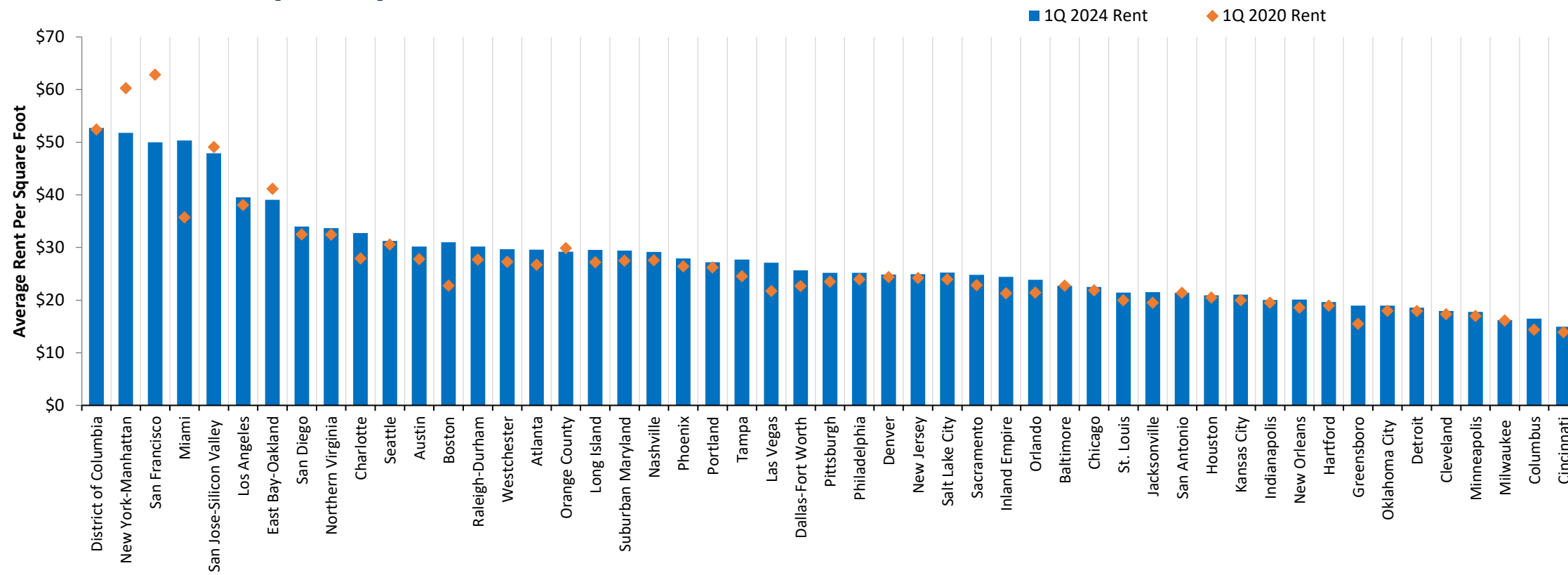
- Demand for office space remains muted, with only 16% of tracked markets managing positive net absorption for both the quarter and the trailing 12 months.
- Top markets for trailing 12-month net absorption that also saw positive net absorption for the quarter include Cincinnati, Raleigh-Durham, Dallas-Fort Worth, Oklahoma City, and Miami.
- Demand decelerated this quarter with only 45% of markets' quarterly net absorption beating their trailing 12-month quarterly average net absorption.

NET ABSORPTION % STOCK: PRE-PANDEMIC vs PANDEMIC to CURRENT



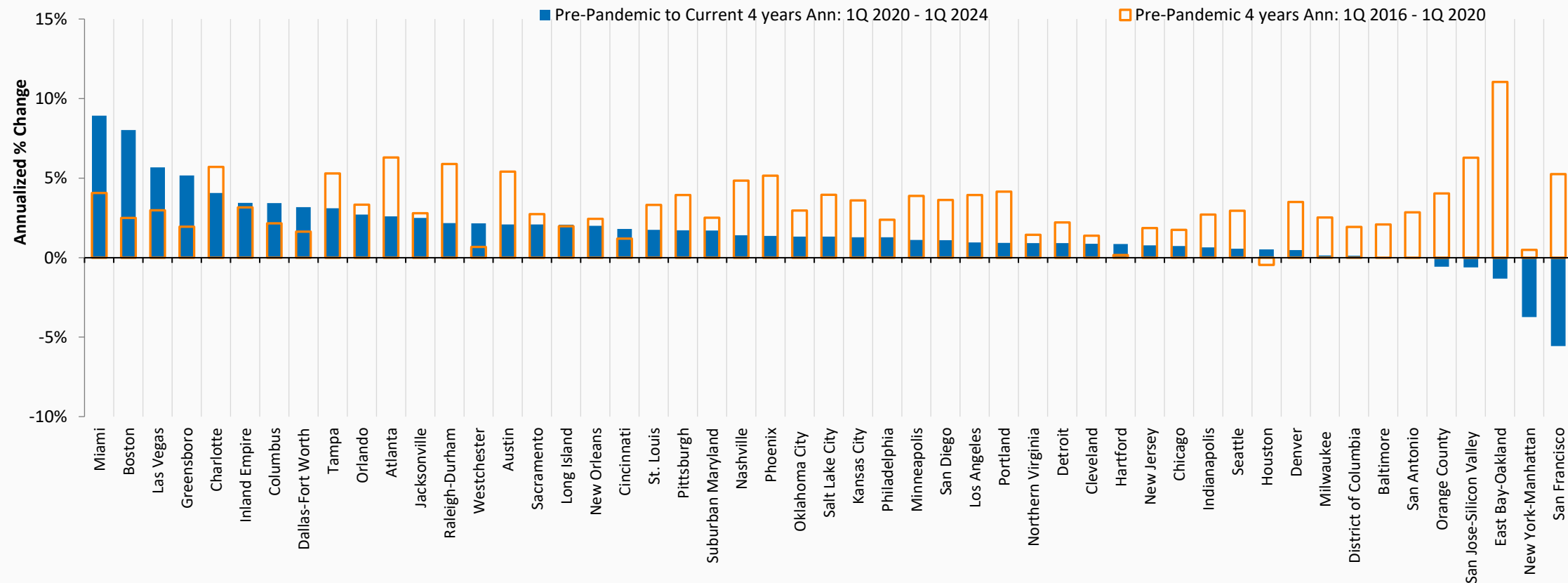
- This graph compares net absorption as a percent of stock annualized for the 4 years preceding the start of the pandemic to the 4 years since the pandemic began.
- Markets experiencing expansion since the pandemic include Dallas-Fort Worth, Austin, Las Vegas, Inland Empire, Miami, San Jose-Silicon Valley, Oklahoma City, San Diego, Salt Lake City, and Nashville.
- Of these expansionary markets, only a few also saw positive net absorption over the past year as well, including Dallas-Fort Worth, Miami, Oklahoma City, and Nashville.

RENTAL RATES (BASE)



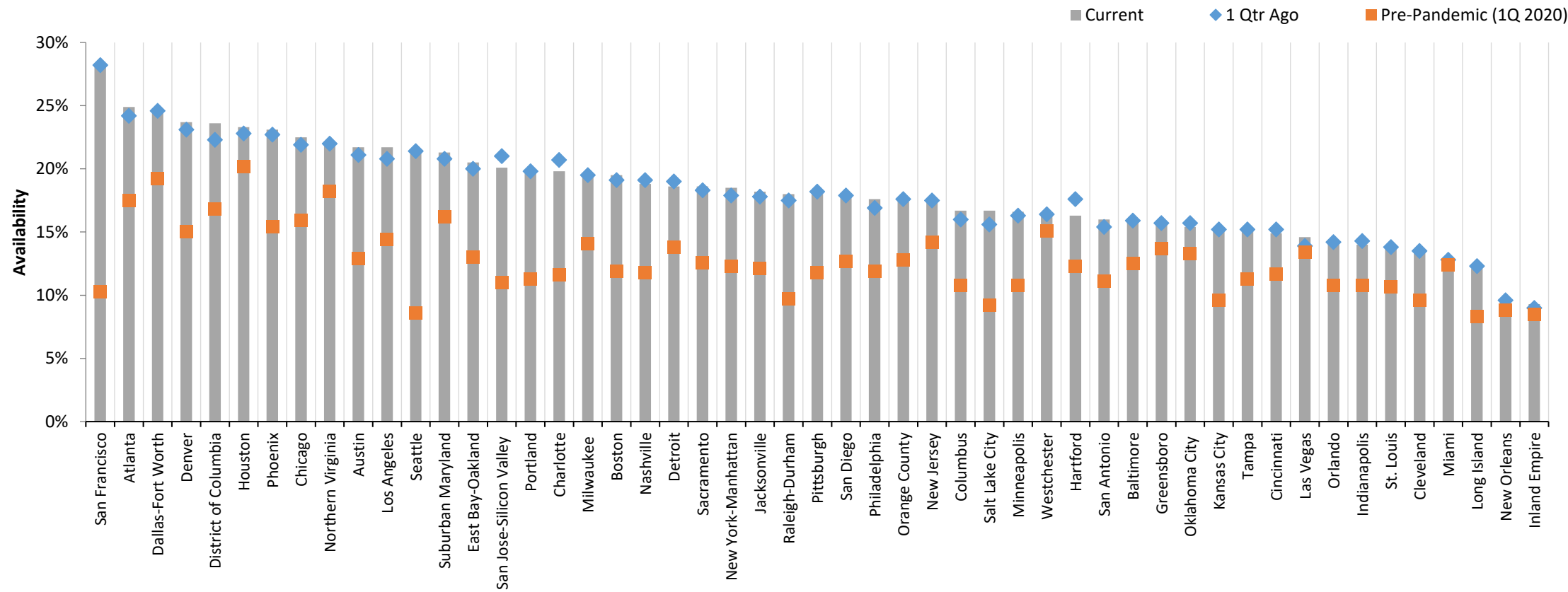
- The largest, densest and most developed markets have historically commanded significantly higher rental rates, yet pandemic-related trends have diminished these markets' lead.
- Since the beginning of the pandemic, the two historically most expensive markets, San Francisco and New York, have experienced the largest declines in rental rates at 20% and 14%, respectively. These markets' rates now track with the District of Columbia.
- Miami has experienced the reverse, with strong gains in rents of 41% over the same period, driven by demand in the urban core.

RENTAL RATE CHANGE: PRE-PANDEMIC vs PRE-PANDEMIC to CURRENT



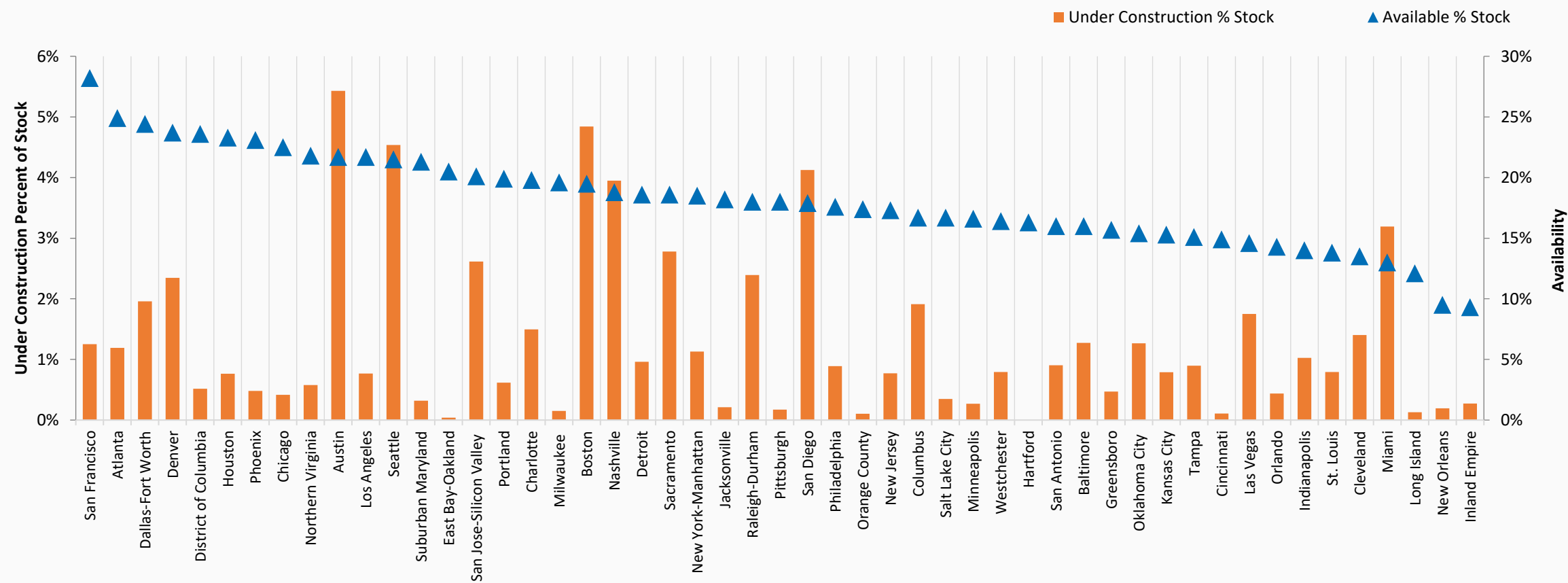
- Demand for space has yet to return to pre-pandemic levels in most markets. Concessions remain high, and leasing muted, obscuring the true cost of rent.
- Some markets have fared relatively better than others:
 - The highest rental rate growth markets since the start of the pandemic are Miami, Boston, Las Vegas, Greensboro, Charlotte, and Inland Empire.
 - Markets experiencing the most relative lift compared to pre-pandemic rental rate growth include Boston, Miami, Greensboro, Las Vegas, Westchester, Dallas-Fort Worth and Columbus.

AVAILABLE SQUARE FEET % STOCK



- In this graph, the softening of demand is illustrated by heightened availability rates shown in all tracked markets.
- Markets seeing the least rise in availability since the pandemic began include Miami, New Orleans, Inland Empire, Las Vegas, and Westchester.
- Only 43% of markets stayed constant or saw improvement from the previous quarter.

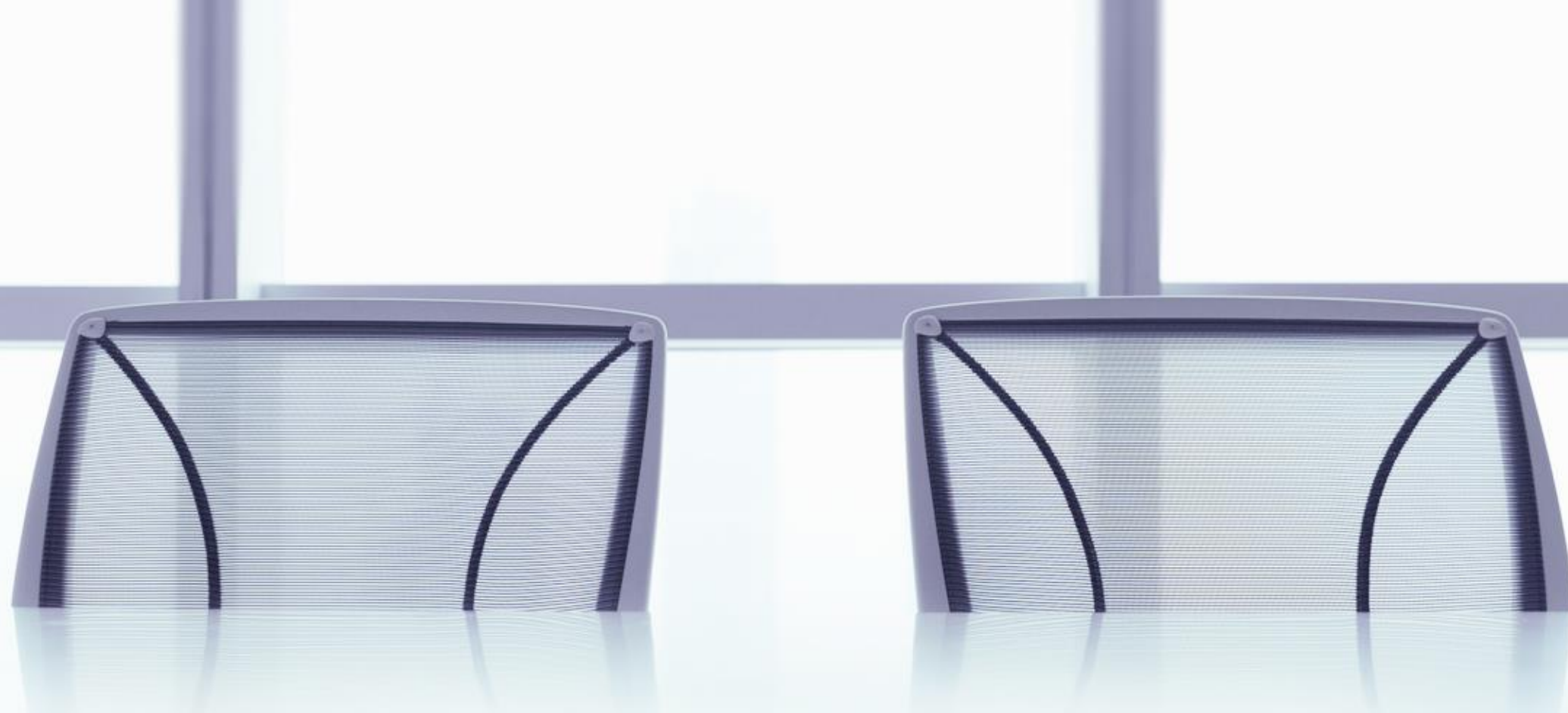
CONSTRUCTION AND AVAILABILITY



- Under construction percent of stock is indicative of future market expansion. Combined with availability percent of stock, it can also be a potential determinant of softening or tightening within a market.
- Markets with particularly high under construction and high availability as a percent of stock include Austin, Seattle, Boston, Nashville, and San Diego. Future vacancy will depend on how demand matches supply and at what rate this demand absorbs unleased space.

Market	Inventory SF	Overall Vacancy Rate	Direct Vacancy Rate	Net Absorption	12-Month Net Absorption	Asking Rent Base	Annual Rent Change	Under Construction
Atlanta	235,438,976	20.3%	18.9%	(250,954)	(3,412,450)	\$29.60	2.6%	2,807,631
Austin	120,462,012	18.0%	15.0%	253,561	(204,705)	\$30.18	-0.3%	6,540,485
Baltimore	117,416,125	14.3%	13.5%	171,858	(475,220)	\$22.71	-2.3%	1,494,165
Boston	307,409,909	13.4%	10.6%	(1,674,686)	(671,995)	\$31.00	19.2%	14,888,748
Charlotte	97,835,870	18.4%	15.5%	(705,201)	(1,241,238)	\$32.74	2.8%	1,465,166
Chicago	442,718,350	18.3%	17.1%	(1,496,036)	(3,771,010)	\$22.50	1.5%	1,845,439
Cincinnati	73,121,015	11.2%	10.1%	590,756	1,161,319	\$14.94	1.4%	80,000
Cleveland	83,452,693	11.8%	11.4%	(78,671)	(600,560)	\$17.93	1.6%	1,171,099
Columbus	80,806,937	13.5%	11.4%	(146,383)	(195,159)	\$16.47	3.2%	1,545,439
Dallas-Fort Worth	325,889,758	21.4%	17.7%	225,656	2,852,334	\$25.66	3.8%	6,382,910
Denver	160,906,812	18.4%	15.9%	(279,500)	(1,404,991)	\$24.84	2.2%	3,776,455
Detroit	136,720,472	13.6%	12.1%	(315,580)	(605,897)	\$18.58	0.7%	1,312,560
District of Columbia	151,792,771	18.4%	17.5%	(102,063)	(1,062,995)	\$52.70	0.6%	787,223
East Bay-Oakland	90,387,126	17.0%	15.1%	(228,285)	(1,927,438)	\$39.04	0.1%	34,905
Greensboro	21,200,702	11.9%	10.9%	(102,649)	99,703	\$18.97	2.0%	100,000
Hartford	47,697,826	13.4%	12.3%	56,717	(771,805)	\$19.63	1.6%	0
Houston	313,800,269	20.5%	19.5%	(500,884)	226,591	\$20.92	-0.6%	2,398,808
Indianapolis	73,272,899	12.2%	11.1%	(554,507)	(520,191)	\$20.01	-4.9%	750,684
Inland Empire	60,189,532	6.7%	6.4%	(10,137)	(33,686)	\$24.41	0.7%	164,978
Jacksonville	42,730,188	14.2%	12.4%	(506,023)	(1,240,609)	\$21.54	0.9%	89,932
Kansas City	95,681,531	13.4%	11.9%	(150,825)	(568,840)	\$21.03	6.3%	756,754
Las Vegas	37,938,312	12.5%	11.2%	(81,714)	(133,187)	\$27.12	7.5%	664,682
Long Island	61,990,264	10.2%	8.5%	230,214	103,726	\$29.53	3.4%	81,454
Los Angeles	365,440,979	18.5%	16.5%	(1,571,448)	(4,196,769)	\$39.55	-0.5%	2,807,301
Miami	83,618,952	10.1%	9.4%	187,900	275,999	\$50.32	5.6%	2,670,378

Market	Inventory SF	Overall Vacancy Rate	Direct Vacancy Rate	Net Absorption	12-Month Net Absorption	Asking Rent Base	Annual Rent Change	Under Construction
Milwaukee	58,938,569	13.0%	12.8%	(4,023)	(355,552)	\$16.24	0.6%	89,681
Minneapolis	173,886,085	12.3%	10.9%	676,137	114,543	\$17.77	-0.1%	466,329
Nashville	72,439,593	15.6%	13.3%	(280,278)	170,959	\$29.15	4.4%	2,859,941
New Jersey	318,009,520	14.5%	12.8%	(997,928)	(4,697,999)	\$24.95	-0.4%	2,449,473
New Orleans	35,907,978	9.0%	8.5%	6,702	(55,362)	\$20.11	2.7%	69,348
New York-Manhattan	555,973,032	16.1%	13.7%	(3,263,667)	(4,952,762)	\$51.77	-4.2%	6,277,990
Northern Virginia	201,505,210	19.3%	18.0%	(1,136,322)	(1,461,120)	\$33.67	7.5%	1,161,187
Oklahoma City	41,687,651	11.9%	11.6%	246,952	176,724	\$18.96	4.1%	528,646
Orange County	144,313,737	14.0%	12.5%	97,979	(83,061)	\$29.22	5.1%	152,000
Orlando	67,020,052	11.3%	9.8%	(516,803)	(19,815)	\$23.85	3.3%	294,595
Philadelphia	242,297,880	12.5%	10.8%	(611,785)	(1,185,096)	\$25.21	0.4%	2,156,933
Phoenix	131,225,471	20.2%	15.6%	(430,054)	(2,795,001)	\$27.91	3.3%	629,567
Pittsburgh	104,587,680	14.4%	13.1%	(186,243)	(1,309,110)	\$25.17	1.0%	180,621
Portland	85,025,934	16.7%	14.8%	(657,030)	(1,360,389)	\$27.19	-2.7%	525,000
Raleigh-Durham	56,280,434	13.2%	10.5%	38	700,030	\$30.20	-1.5%	1,346,446
Sacramento	77,357,709	14.7%	14.0%	(383,079)	(577,611)	\$24.79	0.2%	2,149,147
Salt Lake City	63,588,295	12.4%	10.3%	(637,386)	(325,818)	\$25.24	0.4%	220,976
San Antonio	61,095,144	12.8%	12.0%	(342,781)	169,900	\$21.37	0.9%	552,416
San Diego	106,788,699	12.2%	11.1%	(372,899)	(301,977)	\$33.96	-1.2%	4,404,839
San Francisco	169,684,657	23.6%	18.9%	(253,330)	(7,875,229)	\$50.00	-5.9%	2,122,507
San Jose-Silicon Valley	129,764,734	17.1%	13.5%	(123,043)	(2,246,163)	\$47.89	-1.8%	3,394,707
Seattle	178,695,317	18.3%	15.3%	(556,989)	(3,022,001)	\$31.27	-2.1%	8,107,710
St. Louis	107,468,396	12.7%	11.5%	(176,119)	507,355	\$21.42	0.4%	853,500
Suburban Maryland	82,807,024	18.5%	17.4%	(634,013)	(1,366,890)	\$29.43	2.3%	266,000
Tampa	80,219,133	12.2%	9.8%	105,772	146,477	\$27.72	1.8%	718,929
Westchester	130,392,296	13.6%	12.1%	(413,441)	(1,383,668)	\$29.69	-1.7%	1,033,716



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ABOUT THE TRANSWESTERN COMPANIES

Four dynamic, integrated companies make up the Transwestern enterprise, giving us the perspective to think broadly, deeply and creatively about commercial real estate. Clients and investors rely on us for expertise that spans institutional and opportunistic investment, development, hospitality, and brokerage and asset services. Our award-winning, collaborative culture empowers team members with resources and independence to work across boundaries in pursuit of innovative solutions, reinforcing a reputation for service excellence that translates to measurable results. Through offices nationwide and alliance partners around the globe, we positively impact the built environment and our communities while fostering a work climate that champions career vitality for all. Learn more at transwestern.com and [@Transwestern](https://www.instagram.com/Transwestern).

RESEARCH METHODOLOGY

The information in this report is a compilation of single and multi-tenant office properties located in select U.S. metropolitan areas. Medical offices and government-owned buildings are excluded from analysis. All rents are reported as base, which are rents reflected irrespective of service type (Full Service, Plus Electric, etc.).